

12 September 2017

Mr Tim Smith
Shadow Parliamentary Secretary to the Leader of the Opposition
Office of the Leader of the Opposition
Parliament House
Spring Street
Melbourne, VIC, 3004

Dear Mr Tim Smith,

Interim Report of the Liberal National Coalition's Victorian Population Policy Taskforce

The Victorian division of the Urban Development Institute of Australia (UDIA) welcomes the opportunity to respond to the Interim Report of the Liberal National Coalition's Victorian Population Policy Taskforce, released for public comment in June 2017.

We congratulate the Liberal National Coalition on the work it has undertaken to canvas the broad views of Victorians and agree that Victoria's unprecedented population growth must be actively planned for and managed to achieve a positive outcome for the state.

UDIA broadly supports the approach of managing population growth through active decentralisation of population growth throughout Victoria, and agree that encouraging growth in regional Victoria may unlock housing opportunity for people priced out of the Melbourne property market. However, we strongly caution the Liberal National Coalition against relying too heavily on a decentralisation approach at the expense of additional or alternative policy considerations.

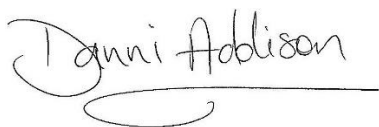
The recommendations the industry is putting forward to the Taskforce are as follows:

1. The Taskforce must consider and deeply understand the role of housing as a core component of its overall population policy;
2. The Taskforce recognise the role that development will play should regional population growth increase, and the fundamental need to incentivise the expansion of this industry in regional areas;
3. Any final policy includes dedicated financial, process oriented and market-based incentives to entice development companies and associated businesses to relocate to and increase their commercial activities in regional Victoria;
4. The Taskforce undertake an evidence-based review of housing markets in regional Victoria and understand the changing nature of house prices over time;
5. An in-depth overview of existing planning processes must be collated in key regional cities to identify inefficient processes and regulatory barriers to development, which add increased risk, cost and time to the development industry;
6. The final policy must contemplate short, medium and longer-term transport infrastructure investment priorities; and
7. The Taskforce must fully understand mechanisms such as betterment levies and both the role they could play, and risks they could introduce if applied in regional areas.

UDIA Victoria welcomes the conversation that the Interim Report has begun, and eagerly anticipates the proper economic analysis and evaluation of the implications of policy positions such as decentralisation which we would expect as part of a fully formed policy position.

If you have any queries, please do not hesitate to contact Hyatt Nidam, Advocacy and Communications Manager at hyatt@udiavic.com.au or Olivia O'Connor, Policy Advisor at olivia@udiavic.com.au or on 03 9832 9600 for further information.

Yours sincerely,

A handwritten signature in black ink that reads 'Danni Addison'. The signature is written in a cursive style with a long, sweeping underline.

Danni Addison

Chief Executive Officer

Urban Development Institute of Australia (Victoria)

Industry Submission

Interim Report of the Liberal National Coalition's Victorian Population Policy Taskforce *September 2017*



SUMMARY

The Victorian division of the Urban Development Institute of Australia (UDIA) welcomes the opportunity to respond to the Liberal National Coalition's Victorian Population Policy Taskforce's Interim Report which was released for public comment in June 2017.

We congratulate the Liberal National Coalition on the work it has undertaken to canvas the broad views of Victorians and agree that Victoria's unprecedented population growth must be actively planned for and managed to achieve a positive outcome for the state.

We broadly support the approach of managing population growth through active decentralisation of population growth throughout Victoria, and agree that encouraging growth in regional Victoria may unlock more housing opportunity for people priced out of the Melbourne property market. The urban development industry appreciates the role it will play in providing employment in the targeted areas, understanding that successful employment opportunities will be the backbone of this policy. However, we strongly caution the Liberal National Coalition against relying too heavily on a decentralisation approach at the expense of additional or alternative policy considerations.

The policy areas canvassed by the Interim Report are wide-ranging and very high level. UDIA Victoria welcomes the conversation that the Interim Report has begun, and looks forward to proper economic analysis and evaluation of the implications of policy positions such as decentralisation which we would expect as part of a fully formed policy position.

RECOMMENDATIONS

1. The Taskforce must consider and deeply understand the role of housing as a core component of its overall population policy. If the need for new housing that would emerge because of increased population growth directed to regional areas is not actively addressed, the policy will ultimately fail and could result in the relative affordability of regional areas being eroded over time.
2. The Population Policy Taskforce recognise the role that development will play should regional population growth increase, and the fundamental need to incentivise the expansion of this industry in regional areas.
3. That any final policy include dedicated financial, process oriented and market-based incentives to entice development companies and associated businesses to relocate to and increase their commercial activities in regional Victoria.
4. That the Population Policy Taskforce undertake an evidence-based review of housing markets in regional Victoria and understand the changing nature of house prices over time.

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5. That an in-depth overview of existing planning processes be collated in key regional cities to identify inefficient processes and regulatory barriers to development which add increased risk, cost and time to the development industry.

6. That a final policy contemplates short, medium and longer-term transport infrastructure investment priorities. A tangible plan is required to assess and understand economic and user-impact forecasts and to provide increased certainty to potential and future residents of Victoria's regional areas. UDIA recommends the Taskforce quantify exactly what extent of Melbourne's forecasted population is expected to be redirected to the targeted regional areas.

7. The Taskforce must fully understand mechanisms such as betterment levies and both the role they could play, and risks they could introduce if applied in regional areas.

ABOUT US

Urban Development Institute of Australia (Victoria)

The Urban Development Institute of Australia (UDIA) is the peak industry body for the urban development sector. In Victoria, we provide over 320 member companies with the benefits of policy and advocacy, industry intelligence, networking and business building.

Our members include developers, consultants, financial institutions, suppliers, government authorities and utilities. Together we drive industry discussion and debate and inform all levels of government to achieve successful planning, infrastructure, affordability and environmental outcomes.

CONTACT

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SUBMISSION

1. Housing is key

A plan to deliver appropriate housing across all housing markets, is paramount to meeting the demands of population growth in Victoria. The timely provision of new housing must underpin a policy that focuses on redirecting population growth to areas previously uninhabited in such unprecedented numbers. Without proper consideration of how and where housing will be provided, any policy that seeks to redirect Victoria's population growth and settlement patterns will lack the fundamental economic and social understanding necessary to be successful.

While there might be the geographical space and capacity to accommodate new dwellings in regional centres, the volume of development that would be required to facilitate a policy of decentralisation raises significant issues for regional areas.

Practical issues such as the availability of materials to support this level of new housing, to broader social issues such as the desire of individuals to move to regional areas, will impact the character of these regional areas; and are not addressed in the Interim Report.

The Interim Report does not adequately address the co-ordinated provision of housing which is viewed to be a serious omission. Just as public amenity and infrastructure are key factors of any success policy of decentralisation and regional population growth, housing will also be vital.

Recommendation:

1. The Taskforce must consider and deeply understand the role of housing as a core component of its overall population policy. If the need for new housing that would emerge because of increased population growth directed to regional areas is not actively addressed, the policy will ultimately fail and could result in the relative affordability of regional areas being eroded over time.

2. Extend incentives to the urban development industry

Residential development in regional areas will play a key part in the success of any policy intent on managing Victoria's population growth challenges. The urban development industry will be vital to providing new housing for increased regional populations, should a policy of decentralisation be implemented under a Liberal-National Coalition Government.

The incentives outlined on pg. 39 of the Interim Report, do not consider any incentives related to the urban development industry. While commercial businesses moving to regional areas may be eligible to receive 'local government rates concessions' or 'payroll tax leniency', there are no specific incentives for this key industry directed at promoting the new housing which will ultimately be necessary for the increased populations of regional areas.

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Planners, developers, engineers, landscapers and a myriad of other professionals from the industry would be completing a high density of work in the regional areas of Victoria should this scheme go ahead. As the Interim Report pointed out, many Victoria's businesses and amenities are based in Melbourne. This trend applies to the development industry and the construction industry also.

Existing business based in regional Victoria would have to be in a commercially feasible position to expand operations to be able to cope with the influx of population growth suggested by a policy of decentralisation. In addition, industry members would need to expand their operations from the urban base to help facilitate the growth in regional areas, with potentially lower commercial prospects than they currently achieve in the metropolitan marketplace.

Many of the reasons incentives would be needed for other commercial entities and residents to relocate to this area, also apply to the development industry. These incentives would need to be provided as sufficient economic activity does not currently exist in most regional areas.

Recommendation:

2. The Population Policy Taskforce recognise the role the development will play should regional population growth increase, and the fundamental need to incentivise the expansion of this industry in regional areas.

3. That any final policy include dedicated financial, process oriented and market-based incentives to entice development companies and associated businesses to relocate to and increase their commercial activities in regional Victoria.

3. Plan for the planning and approval systems required

The Interim Report clearly acknowledges that the current relative affordability of house prices in regional Victoria would be a main draw card for those residents moving away from Melbourne.

However, historically, an increase in house prices has followed amplified development in Melbourne, the city fringe and the growth areas. The development industry has been able to trace many of the steadily growing costs back to development charges and taxes, as well as delays in construction and approvals that cost significant time and money.

If the concentration of population growth in regional areas is to become as dense as the Interim Report suggests, the regional planning overlays and processes, as well as the capacity of local councils and referral authorities, is unlikely to cope with the influx of activity.

These regulatory issues combined with record growth in demand for new housing in Melbourne, has put upward pressure on house prices in even the most affordable housing markets such as Melbourne's greenfield areas.

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To maintain the competitive attractiveness of relocating to regional areas, it will be imperative to avoid impacts of increased development, such as increased house prices, as has occurred in Melbourne.

Recommendation:

4. That the Population Policy Taskforce undertake an evidence-based review of housing markets in regional Victoria and understand the changing nature of house prices over time.
5. That an in-depth overview of existing planning processes be collated in key regional cities to identify inefficient processes and regulatory barriers to development which add increased risk, cost and time to the development industry.

4. Invest early and direct infrastructure priorities to areas identified for growth

As the Interim Report acknowledges, transport infrastructure is lagging in the regional parts of the state. The reports states that, 'improved and faster rail' was, 'the overwhelming and constant issue raised by all forums'.

Providing sufficient transport infrastructure in the areas expected to shoulder the incoming population from Melbourne is vitally important and improved rail links will connect the regional cities and state capital more closely, making geographical distances less important and increasing opportunities for employment.

While rail is a certain priority, the quality and capacity of the roads leading to these regional centres must also be reassessed. It is unavoidable that there will remain attractions in Melbourne that are unique to the city, and the roads must be prepared for an increased amount of traffic without considerable delays in journey time.

Recommendation:

6. That a final policy contemplates short, medium and longer-term transport infrastructure investment priorities. A tangible plan is required to assess and understand economic and user-impact forecasts and to provide increased certainty to potential and future residents of Victoria's regional areas. UDIA recommends the Taskforce quantify exactly what extent of Melbourne's forecasted population is expected to be redirected to the targeted regional areas.

5. Betterment levies or value capture mechanisms should be undertaken and implemented with caution to avoid increasing housing affordability

The Interim Report references policy levers including 'pricing mechanisms, taxes, levies and financial incentives' as a means of encouraging regional population growth. Of particular interest to the

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industry is the reference to 'betterment or value capture levies' on land that is anticipating intensive development.

Betterment levies have the potential to exacerbate house prices, rather than alleviate them and a far deeper understanding of the role these levies could play or the risks they could present if applied in regional areas.

Recommendation:

7. The Taskforce must fully understand mechanisms such as betterment levies and both the role they could play, and risks they could introduce if applied in regional areas.